

his further computations could not possibly yield a true result.

A new country, poor in specie and in loanable capital, is almost forced by the necessities of her situation to adopt monetary devices which would not be tolerated under better conditions. Some of these devices would be comparatively harmless if their true character were understood and they were used with moderation ; but their tendency is misleading and intoxicating to the average mind and they are usually so abused as to offset the little benefit which might be derived from them. The most successful banking systems under State law in the United States were those of New York and New England, where the surplus capital of the country in the earlier days was concentrated. The least successful systems were in the newer and poorer sections of the country and they grew progressively worse as inexperience and poverty seemed to make more imperative the necessity for creating something out of nothing. Four distinctly marked systems of note issue were in operation in the United States side by side almost up to the close of the Civil War and it is not surprising that the conglomerate currency which they created has left unsavory memories behind it. These four systems were : Issues upon general assets ; issues protected by a general safety fund ; issues based upon public securities ; and issues based upon the faith and credit of the States.¹

¹ The principal sources for the preparation of this chapter have "been the monographs prepared by Mr. I/. Carroll Root for the " Sound Currency Committee" of the New York Reform Club ; the report of John J. Knox, the United States Comptroller of the Currency, for 1876 ; the report prepared by Mr. Henry H. Smith, Assistant Register of the Treasury, in response to Senate resolutions of July 26, 1892, printed as Sen., Ex. Doc. 38, 52d Cong., 2d Sess. ; and the report of Comptroller A. B. Hepburn for 1892. The investigations of these gentlemen have brought together and co-ordinated a mass of material which would otherwise have to be sought with great labor from a variety of sources. Mr. Root has further favored me with an examination of this chapter and the suggestion of some changes, which I have adopted.